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ABSTRACT

Provided is a revised estimate of the cost of The Parental and Medical Leave Act of 1987 that takes into account possible revisions in employee eligibility, and the duration of allowable leave. As revised, the proposal would cover employees in firms with 50 or more workers who have been with the firm at least a year and have worked 1,000 or more hours during the previous 12-months. Over a 2-year period, employees would be permitted 10 weeks of unpaid leave upon the birth, adoption, or serious illness of a child, and 10 weeks for personal illness. Upon returning to work, an employee is guaranteed the same or an equivalent job. The legislation also specifies that employers must continue health benefits for workers on unpaid leave on the same basis as if they were still working, but does not require the continuance of other employee benefits. It is estimated that the cost of this parental leave proposal to employers with 50 or more workers will be less than $147 million annually, and is likely to be less than that when all existing coverage is factored out of the estimate. (RH)

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United States General Accounting Office

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Report to the Chairman, Subcommittee on Children, Family, Drugs, and Alcoholism, Committee on Labor and Human Resources, U.S. Senate

September 1988

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PARENTAL LEAVE

Estimated Cost of Revised Parental and Medical Leave Act Proposal

PS 017747

GAO/HRD-88-132

GAO

United States
General Accounting Office
Washington, D.C. 20548

Human Resources Division

B-229286

September 27, 1988

The Honorable Christopher Dodd
Chairman, Subcommittee on Children,
Family, Drugs, and Alcoholism
Committee on Labor and Human Resources
United States Senate

Dear Mr. Chairman:

This report responds to your September 26, 1988, request for a revised cost estimate of S. 249, "The Parental and Medical Leave Act of 1987," taking into account possible revisions in employee eligibility and the duration of allowable leave.

As revised, the proposal would cover employees working in firms with 50 or more workers who had been with the firm at least a year and had worked 1,000 or more hours during the previous 12-month period. Employees would be permitted 10 weeks of unpaid leave over a 2-year period upon the birth, adoption, or serious illness of a child and 10 weeks for personal illness. Upon returning to work, an employee is guaranteed the same or an equivalent job. The legislation also specifies that employers must continue health benefits for workers while on unpaid leave on the same basis as if they were still working, but does not require the continuance of other employee benefits.

Overview

We estimate that the cost of this parental leave proposal to employers having 50 or more workers will be less than $147 million annually. This represents the cost to employers for the continuation of health insurance coverage for employees on unpaid leave. Table 1 shows our estimates of the number of beneficiaries and employer costs for each provision. The actual cost of this legislation is likely to be less when all existing coverage is factored out of the estimate.

Table 1: Estimated Number of Beneficiaries and Employer Costs

Dollars in millions

Provision	Beneficiaries	Cost
Birth or adoption	840 000	$90
Seriously ill child	60 000	10
Temporary medical leave	610 000	47
Total	**1,510,000**	**$147**

This legislation would cover about 39 percent of all workers, and exclude the 95 percent of all firms with fewer than 50 workers. We estimate that the rate of usage under the provisions of this legislation would be equivalent to less than 1 in 350 workers in the labor force being absent at any time; thus, we would not expect this legislation to cause major disruptions to most employers.

As reported in our testimony on your original bill and a subsequent report,[1] we believe there will be little measurable net cost to employers associated with replacing workers or maintaining current levels of output while workers are on unpaid leave. Firms told us that less than one-third of workers taking extended parental or medical leave are replaced, and that for workers replaced, the associated cost was generally less than the wage and benefit cost of the absent workers. Absences were typically handled by reallocating work among the remaining work force. While some resulting disruption occurred, firms also experienced savings in that no wages had to be paid to the absent workers.

Methodology

We utilized the same basic methodology used to develop our earlier cost estimates employing data obtained from numerous sources.[2] We estimated the number of workers likely to take unpaid leave under the new child provision from data in the March 1987 supplement to the Current Population Survey (CPS) conducted by the Bureau of the Census; and the number likely to take leave under the sick child and temporary medical leave provisions from data in the 1985 National Health Interview Survey conducted by the National Center for Health Statistics. We also surveyed 80 firms in two metropolitan labor markets—Detroit, Michigan, and Charleston, South Carolina—to obtain experience data on the usage of parental leave, and how employers cope with extended absences. To estimate the employer portion of health benefit costs, we used data from a 1987 Small Business Administration (SBA) study of employee benefits in small and large firms. The weekly average employer cost per worker in 1985 was estimated to be about $25 for firms covered under this bill.

[1]GAO's Estimate of the Costs of the "Parental and Medical Leave Act of 1987 (S. 249)" (GAO/T-HRD-88-5, Oct. 29, 1987) and Parental Leave: Estimated Cost of Revised Parental and Medical Leave Act (GAO/HRD-88-103, May 26, 1988).

[2]For a more complete discussion of our methodology concerning the survey of firms in Detroit, Michigan, and Charleston, South Carolina, and other sources of data used to identify potential beneficiaries, see Parental Leave: Estimated Costs of H.R. 925, the Family and Medical Leave Act of 1987 (GAO/HRD-88-34, Nov. 10, 1987).

For each of the bill's provisions, we assumed that all individuals with circumstances that might necessitate extended leave would take off either the full period allowed by the bill or the entire period of illness, whichever is less. Using data from the 1986 Bureau of Labor Statistics Survey of Employee Benefits in Medium and Large Firms and the SBA study of employee benefits, we estimated the extent that workers currently have paid sick, vacation, or disability leave that they may use before taking unpaid leave under any of the legislation's provisions.

Leave to Care for New Children

We estimate that the cost of continuing health benefits for workers on unpaid leave to care for new children will be about $90 million annually.

Unpaid leave to care for new children is used almost exclusively by women. Studies of firms in the United States and in other countries that allow parental leave for men as well as women, in addition to our own survey of companies, support this conclusion. According to the CPS, about 2.2 million working women gave birth or adopted a child in 1986. Given the 1-year tenure requirement and the firm size exclusion, we estimate that about 840,000 women would be covered by this provision. We assumed that women will take the full 10 weeks of leave allowed, but about 6 weeks of this leave will be their available paid vacation, sick, and disability leave.

Leave to Care for Seriously Ill Children

We estimate the annual cost to employers for continued health coverage under this provision to be $10 million. Using information from the National Health Interview Survey, defining serious illness as 31 or more days of bed rest, and assuming that one parent takes leave to care for each child for the duration of their illness (up to 10 weeks), we estimate that about 60,000 workers would take leave, averaging 7.8 weeks per worker. We also assumed that those workers would use their paid vacation leave, which averages 1.6 weeks, before taking unpaid leave.

Temporary Medical Leave

We estimate that the health insurance cost to employers of this provision is about $47 million annually. Again using the National Health Interview Survey, we estimate that about 610,000 workers requiring 31 or more days of bed rest during a year would be eligible under this provision. About 40 percent of workers have short-term disability coverage, which would provide paid leave for their illness. Other workers have an average of 3.3 weeks of paid sick and vacation leave available. The

average duration of illness for these workers is estimated to be about 7.8 weeks.

Other Considerations

Our estimate likely overstates the cost of this legislation because we did not adjust it to reflect the fact that some firms already have parental leave policies allowing paid absences similar to those provided by this legislation and that other employers make accommodations to workers who are ill or have children who are ill for extended periods, even in the absence of formal leave policies. In addition, several states already have disability and/or parental leave statutes containing provisions similar to those in this legislation.

As requested by your office, we did not obtain Department of Labor comments on this report. And as agreed, unless you publicly announce its contents earlier, we plan no further distribution of this report until 15 days after its issue date. At that time we will send copies of this report to appropriate congressional committees and other interested parties, and will make copies available to others on request.

Sincerely yours,

William J. Gainer
Associate Director

Related GAO Products

Parental Leave: Estimated Cost of Revised Parental and Medical Leave Act (GAO HRD-88-103, May 26, 1988)

Parental Leave: Estimated Costs of H.R. 925, The Family and Medical Leave Act of 1987 (GAO HRD-88-34, Nov. 10, 1987)

GAO's Estimate of the Costs of the "Parental and Medical Leave Act of 1987" (S. 249) (GAO T-HRD-88-5, Oct. 29, 1987)

S. 249, The "Parental and Medical Leave Act of 1987" (GAO T-HRD-87-10, Apr. 23, 1987)

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